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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 07/10/07

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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, July 9

NIKKEI (Page 2) (Full)

July 10, 2007

09:04

Gave an interview at LDP headquarters.

12:00

Met LDP Secretary-General Nakagawa.

14:13

Met LDP Chief Deputy Secretary-General Motegi.

15:38

Met Chief Cabinet Secretary Shiozaki.

16:54

Met at the Kantei with Chairman Takeshi Noda and others of the project team for supporting the livelihood of Japanese orphans left behind in China in the closing days of WWII.

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17:55

Had a haircut at a barbershop in the Hilton Tokyo.

19:35

Returned to his official residence

4) Poll: DPJ ahead in proportional representation blocs, electoral districts; Cabinet disapproval rating over 50 %

TOKYO (Top play) (Abridged)

July 10, 2007

Ahead of the upcoming House of Councillors election to be announced July 12, the Tokyo Shimbun conducted a telephone-based nationwide public opinion survey to probe public attitudes. In the survey, respondents were asked which political party or which political party's candidate they would vote for. In response to this question, 32.4 % chose the leading opposition Democratic Party of Japan (Minshuto) for proportional representation, with the ruling Liberal Democratic Party at 26.8 %. For voting in electoral districts as well, the DPJ was above the LDP, with 31.4 % choosing the DPJ and 27.3 % favoring the LDP. In addition, about 70 % were critical of Prime Minister Abe's handling of the pension issue and the politics-and-money issue. The figure shows that these issues have damaged the LDP.

In 2005, the House of Representatives was dissolved for a general election over postal privatization. In the survey this time, respondents were asked which political party they voted for at that time in proportional representation. In response to this question, 42.1 % answered that they voted for the LDP. Among them, about 20 % said they would vote for the DPJ both in their proportional representation blocs and in their electoral districts. The LDP has failed to retain many previous supporters.

The last election for the House of Councillors was held in 2004. In that election as well, the DPJ garnered more votes than the LDP both in proportional representation and in electoral districts. The survey this time also posted a similar margin between the two parties.

Meanwhile, respondents were also asked if they supported the Abe cabinet. To this question, "no" and "no to a certain degree" totaled 53.4 %, with "yes" and "yes to a certain degree" adding up to 44.2 %. The nonsupport rate was nearly 10 points higher than the support rate.

In the survey, respondents were also asked about the prime minister's handling of the pension fiasco that was touched off by the government's failure to keep pension records for as many as 50 million people. To this question, 67.8 % answered that they could not trust the premier's response. Abe has so far replaced three of

his cabinet ministers over politics-and-money scandals and other issues in his nine months in office. Asked about this fact, 62.5 % answered that Abe has responsibility for his appointments of those cabinet ministers. As seen from these two figures, the public is turning a severe eye to Abe.

In the breakdown of public support for political parties, however, the LDP stood at 39.9 %, with the DPJ at 21.2 %. The LDP is nearly 20 points higher than the DPJ. Asked which political party or which

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political party's candidate to vote for in proportional representation blocs and electoral districts, more than 20 % answered that they "don't know." Depending on the future situation, the margin between the DPJ and the LDP could narrow.

5) Poll: DPJ stands at 24 % in pre-election popularity rating, LDP at 17 %

TOKYO (Page 2) (Full)
July 10, 2007

Kyodo News conducted a telephone-based nationwide public opinion survey on July 7-8 to probe trends in public attitudes toward the July 29 election for the House of Councillors. In the survey, respondents were asked which political party or which political party's candidate they would vote for under the proportional representation system. In response to this question, 24.6 % chose the leading opposition Democratic Party of Japan (Minshuto), up 0.1 percentage point from the last survey conducted June 30 and July 1. The DPJ sustains its good showing. The ruling Liberal Democratic Party was at 17.6 %, down 0.3 point from the last survey. The margin between the two parties widened, though slightly.

The approval rating for Prime Minister Shinzo Abe and his cabinet was 30.1 %, down 1.9 points from the last survey. The Abe cabinet's support rate renewed its all-time low since it came into office in September last year. The disapproval rating for the Abe cabinet hit an all-time low of 58.8 %, up 0.7 point.

In popularity rating for electoral districts, the DPJ stood at 23.3 %, up 0.4 point from the last survey. The LDP was at 19.8 %, up 0.6 point. As seen from these figures, the DPJ has a lead over the LDP.

For proportional representation, New Komeito, the LDP's coalition partner, scored 5.8 %, with the Social Democratic Party (Shaminto) at 2.4 % and the People's New Party (Kokumin Shinto) at 0.2 %. No respondents picked the New Party Nippon (Shinto Nippon). Those undecided accounted for 41.6 %.

Polling methodology: The survey was conducted July 7-8 on a computer-aided random digit dialing (RDD) basis. Among randomly generated telephone numbers, those actually for household use with one or more eligible voters totaled 1,786. Answers were obtained from 1,256 persons.

6) Poll: 72 % want tax reform as campaign issue

ASAHI (Page 1) (Abridged)
July 10, 2007

An estimated 72 % of the nation's electorates want tax reform, including the consumption tax, to be a point of contention in campaigning for the upcoming House of Councillors election, with only 13 % saying they do not think that way, the Asahi Shimbun found from its recent telephone-based 9th serial public opinion survey conducted July 7-8. As seen from these figures, a majority of the nation's voting population think the political parties should manifest their standpoints about the tax system, including the consumption tax, in the run-up to the election. Respondents were also asked if they thought the consumption tax should be raised. In response to this question, 40 % answered "yes," with 51 % saying

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"no."

The government and ruling coalition plan to carry out a drastic reform of the tax system, including the consumption tax, with an eye to fiscal 2007. The ruling camp, however, will not make a campaign issue of the tax system, as Prime Minister Abe has said specific discussions would not be started until after this fall.

However, even among those who support the ruling Liberal Democratic Party, 67 % want the election to focus on the tax system. The proportion of those who want the tax system to become a campaign issue was 82 % among those who support the leading opposition Democratic Party of Japan (Minshuto) and 69 % among floating voters with no particular party affiliation.

The proportion of those who want the tax system to become a campaign issue in the House of Councillors election was 79 % among men and 66 % among women, while it was 13 % among men and also among women. Among those in their 20s to 60s, the proportion of those seeking to focus on the tax system was around 80 %. However, the figure was 49 % among those aged 70 and over.

7) Hill to arrive in Japan this weekend to pave way for six-party talks to occur next week

YOMIURI (Page 2) (Full)
July 10, 2007

Final coordination is underway for US Assistant Secretary of State Christopher Hill, the US chief negotiator in the six-party talks on the North Korean nuclear issue, to visit Japan possibly this weekend to confer with his Japanese counterpart, Kenichiro Sasae, director-general of the Foreign Ministry's Asia and Oceanian Affairs Bureau, on a plan to hold a session of the chief negotiators from the six countries, one government official revealed yesterday.

According to this official, following his visit to Japan, Hill plans to travel to South Korea and China and in South Korea to confer with South Korean chief negotiator Chun Young Woo, director of the Office of the Diplomatic Policy of South Korea's Ministry of Foreign Affairs and Trade and in China to hold talks with Chinese Vice Foreign Minister Wu Dawei. And staying in Beijing, Hill intends to get a session of the six-party chief negotiators to take place there.

In this regard, Chinese Assistant Foreign Minister Cui Tiankai was asked by Japanese press corps at the Chinese Foreign Ministry yesterday about when to hold the next round of talks of the chief delegates from the six countries and said, "We have 20 or so days before early August. It is fully possible to hold a session. We will hold it once each country becomes ready." He thus revealed a strong possibility of holding the session by the end of the month.

8) Foreign minister to set out on overseas trip on July 30, the day after Upper House election

MAINICHI (Page 5) (Full)
July 10, 2007

Foreign Minister Taro Aso decided yesterday to visit the Philippines from July 30, the day after the House of Councillors election, through August 3. He will attend the foreign ministerial meeting of

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ASEAN+3 and a meeting of the ASEAN Regional Forum.

Aso is expected to exchange views on economic partnerships with Southeast Asia, the situation on the Korean Peninsula, and other issues. Depending on future moves by North Korea, a foreign ministerial of the six-party talks might be held.

Many observers anticipate an uphill battle for the ruling camp in the Upper House election on July 29. Prime Minister Shinzo Abe might be forced to resign if the ruling camp suffers a defeat. Foreign Minister Aso has been viewed as a possible successor. Attention is

being focused on how his absence at such a crucial time will affect the political situation after the election.

Coordination is also underway for Aso to make a round of visits to the Middle East and Latin America Aug. 12-25. But this trip may be aborted, depending on the election results.

9) Poll: 77 % Japanese "negative" about mingling with foreign residents

TOKYO SHIMBUN (Page 3) (Full)
July 10, 2007

In a survey conducted and revealed yesterday by the Ministry of Land, Infrastructure and Transport, 56 % of foreigners surveyed but only 10 % of Japanese respondents expressed eagerness about socializing between foreigners living in Japan and local residents.

The survey was conducted from December of last year through early this January on residents in 16 areas in Ibaraki, Gunma, Tochigi, and Saitama, where a number of foreigners live. Replies were collected from 738 foreign households and 1,104 Japanese households.

On nationality, Brazilians accounted for 49 %, followed by Peruvians with 14 %, Chinese with 12 %, and Vietnamese with 10 %. Their average length of stay in Japan was 8.7 years.

Among the foreign respondents, 5 % said, "Mingling with Japanese is unnecessary," and 26 % said, "The minimum is enough in our lives." These negative replies made up 31 %. Persons eager to learn the Japanese language accounted for 87 %, and 73 % said they wanted to continue to live in the same area.

Of the Japanese residents surveyed, 23 % said, "There is no need," and 54 % said, "The minimum is enough in our lives." These negative replies reached 77 %.

The ministry cites "little opportunity for interchange with foreigners" as the main reason for Japanese residents' lack of eagerness to socialize with foreigners. It stresses the need for a system to promote interchange between foreigners and local residents.

According to the ministry, the number of foreign residents was about 2.085 million at the end of 2006, an increase of about 670,000, or 47 % over the level in 1996.

10) Abe remains tongue-tied on office expense issue

TOKYO SHIMBUN (Page 2) (Excerpts)

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July 10, 2007

Prime Minister Shinzo Abe remained inarticulate about the questionable bookkeeping of office expenses by Agriculture, Forestry and Fisheries Minister Norihiko Akagi, indicating that he would not urge the farm minister to produce receipts. Although Abe wants to demonstrate a resolute stance regarding the politics-and-money issue in order to dispel public distrust once and for all, he cannot do so because of two shackles. Whether or not he can quell public criticism before the July 29 House of Councillors election remains to be seen.

The first shackle is that he allowed former Administrative Reform Minister Genichiro Sata, Education, Science and Technology Minister Bunmei Ibuki, and former MAFF Minister Toshikatsu Matsuoka, who committed suicide, to refuse to produce receipts when their massive office expenses came to light.

As the grounds, all those lawmakers cited the unrevised Political Funds Control Law that did not obligate political organizations to attach receipts to their financial statements, including office expenses.

Opposition parties demanded the production of receipts, but the cabinet ministers consistently refused to do so. Abe did not press them to, either.

Pressuring Akagi for receipts might reignite the issue of the questionable office expenses of Matsuoka and others.

In yesterday's press interview, Abe reiterated that there was no need to produce receipts, saying, "(Mr. Akagi) explained his office expenses quite precisely."

Another shackle is that the revised Political Funds Control Law that cleared the Diet in the previous session requires fund-management organizations to attach receipts to their fund reports for every item costing 50,000 or more.

11) Minshuto beefing up pursuit on Akagi over political funds scandal

NIKKEI (Page 2) (Full)
July 10, 2007

In criticizing Agriculture, Forestry and Fisheries Minister Norihiko Akagi over a political funds scandal, Democratic Party of Japan (Minshuto) President Ichiro Ozawa said in a press briefing yesterday: "It is irrational for him to insist that there was no fictitious accounting of costs but say that he cannot explain." Akagi's political organization has registered the home of his parents as its office but has recorded in its political funds reports huge amounts of money as office expenses.

Meanwhile, Akagi told reporters after a meeting at the Prime Minister's Official Resident last night: "We have properly reported and publicized a total amount of expenses incurred. There should be no problem since there has been no fictitious booking of costs." He indicated he would not disclose receipts. He also stated that he would give a detailed explanation in a press briefing after a cabinet meeting today.

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In a press conference yesterday, Minshuto Policy Research Council Chairman Takeaki Matsumoto cited the revised Political Funds Control Law (proposed by the ruling camp), which was adopted in the latest ordinary Diet session: "Only political funds management organizations are targeted under the law. But this (Akagi) case has exposed that there is a problem with this," indicating he would make this problem central in the House of Councillors election campaign.

Prime Minister Abe emphasized last evening: "The revised law was enacted after thorough debate in the ruling camp." Asked about the possibility of another revision of the law, though, Abe replied: "If necessary, such discussion should be conducted."

12) Minshuto manifesto features Ozawa in last battle

ASAHI (Page 4) (Abridged slightly)
July 10, 2007

The major opposition Minshuto (Democratic Party of Japan) unveiled yesterday its manifesto (campaign pledges) for the upcoming House of Councillors election, carrying four pages of pictures of Ichiro Ozawa, its president. The manifesto is apparently aimed at featuring the "last battle" of Ozawa, who had declared that he would retire from politics if the opposition camp failed to win a majority in the upcoming election.

The 32-page manifesto that begins with a close-up of Ozawa's face spells out "three promises" of pension, child-rearing, and agriculture, and seven major proposals on employment, decentralization, and other matters. It also plays up Ozawa's visions, such as that people's livelihood should come first and that a two party-system should be installed. The manifesto also contains a picture-studded section on Ichiro Ozawa, explaining his background from the assumption of office as Liberal Democratic Party secretary general at age 47, the establishment of the Hosokawa administration

after leaving the LDP, formation of the New Frontier Party and the Liberal Party, to current position as Minshuto president. This is the first Minshuto manifesto that has carried so many photos and detailed information on the background of its party.

Three promises

- 11. The government will receive pension benefits in full in a responsible manner.
- 12. The party will introduce a child-rearing allowance system to pay 26,000 yen for each child.
- 13. The party will establish an income compensation system to cover every farmer.

Seven proposals

- 11. Ensure employment to rectify national socioeconomic disparities.
- 12. Eliminate a lack of doctors to create a solid medical system.
- 13. Eliminate wasteful administrative spending.
- 14. Realize decentralization.
- 15. Revitalize medium and small companies in order to breathe new life into the Japanese economy.
- 16. Japan will play a leading role in the global environment.
- 17. Achieve proactive diplomacy.

13) Pension benefits may be paid without data, according to judgment standards for cases of missing records; third-party committee does

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not specify penalty for false claims

TOKYO SHIMBUN (Page 1) (Excerpts)
July 10, 2007

Following pension premium payment record-keeping errors caused by the Social Insurance Agency (SIA), the Ministry of Internal Affairs and Communications has set up a Central Third-Party Committee to Confirm Pension Premium Payment Records, a panel that will determine whether to pay pension benefits to claimants who have no documents that prove their premium payments, such as receipts. The panel yesterday adopted basic guidelines for decisions and indicated expected cases in which benefits can be paid. A feature of the guidelines is to allow correction of pension amounts in cases in which premium payments can be inferred from claimants' bank books and household records. Even if there is no such data at all, if a request to correct pension amounts is apparently not unreasonable and seems reliable to a certain extent, payments will be generally approved.

Guidelines lack certainty

(Commentary) The panel yesterday adopted judgment guidelines, under which pension benefit payments will be approved even if there is no evidence proving premium payment, if requests for correction of pension amounts "appear reasonable to a certain degree." Behind the decision is the government's intention to head off discontent by indicating the possibility of widely paying benefits.

The guidelines do not place absolute value in SIA pension records, which may be good news for contributors with no payment data. However, since the job of judging the propriety of paying benefits will be left to screeners, the possibility of arbitrary decisions has not been completely ruled out.

14) Steel Partners an "abuser" of M&As: Tokyo High Court declares Bull-Dog Sauce defense measures legal

YOMIURI (Top Play) (Excerpts)
July 10, 2007

In an appeal filed by Steel Partners Japan Strategic Fund, a US investment fund, seeking an injunction barring Bull-Dog Sauce Co., the largest sauce maker in Japan, from implementing a takeover defense measure, the Tokyo High Court yesterday rejected its request and decided that the defense measure is legal. The court identified

Steel Partners as an "abuser" of M&As that would destroy corporate value and judged that the sauce maker's defense measure is legitimate. It also said that the idea of taking into account only the profits of shareholders is unacceptable.

High court warns against only pursuing profit

The decision by the Tokyo High Court will likely have a major impact on M&As. The court made two noteworthy assertions.

First, concerning the question of to whom a company belongs, the court pointed out: "The idea of solely pursuing stockholders' profits has its limitations and is therefore unacceptable." It thus made its decision clear to curb the move of takeover bidders excessively brandishing stockholders' rights, such as Livedoor and

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Murakami Fund did.

A joint-stock corporation is owned by shareholders, but the company cannot be managed without support from employees, business partners, and consumers. The court decision noted that companies should enhance corporate value, while taking into consideration their inseparable relations with various stakeholders and confirmed that perception from a judicial standpoint.

Second, the court pointed out the dichotomy that occurs when investment funds carry out M&As.

It noted that Steel Partners is pursuing its own profits instead of the management of the targeted company, describing it as a company that is responsible for giving priority to customer benefits due to its organizational nature as an investment fund. It then described the fund as "abuser" of M&As based on its analysis of its past M&A activities.

The court decision, of course, does not say that all investment funds are abusers of M&As. However, investment funds will be held accountable more severely in the future regarding how they intend to improve the management of targeted companies.

SCHIEFFER